

Message Text

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62

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 SPC-03 AID-20 NSC-10 RSC-01 CIEP-02 TRSE-00

SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03

NEA-10 PRS-01 DRC-01 /171 W
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O R 252050Z OCT 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 1969

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L OTTAWA 2543

E.O. 11652: GDS

TAGS: EFIN, PK, BD, CA

SUBJECT: PAKISTAN-BANGLADESH DEBT

REF: STATE 208687

BEGIN SUMMARY. GOC CONSIDERS IT PREMATURE TO COMMENT ON
OR EXPRESS PREFERENCE FOR ANY OF RESCHEDULING OPTIONS
OUTLINED REFTEL. CANADIANS PREFER AWAIT RECOMMENDATIONS
JANUARY IBRD STUDY, BUT WILL INSIST ON PRINCIPLE
OF ACCEPTANCE DEBT LIABILITY; AND ONCE THIS ACCEPTED,
LIKELY TO AGREE TO VERY EASY RESCHEDULING FORMULA.
END SUMMARY.

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1. PRELIMINARY DISCUSSIONS WITH EXTAFF OFFICIALS HELD OCTOBER 23 AND WE LEFT INFORMAL TALKING PAPER ALONG THE LINES REFTEL. AFTER INTERAGENCY (EXTAFF, CIDA, EXPORT DEVELOPMENT CORPORATION (EDC), AND FINANCE) DISCUSSIONS, EXTAFF DIRECTOR, AID AND DEVELOPMENT DIVISION (MCKINNON) TOLD ECON COUNS OCTOBER 25 THAT GOC BELIEVES IT PREMATURE COMMENT ON OR SELECT ANY OF OPTIONS WHILE QUESTION OF LEGAL LIABILITY FOR PART OF DEBT STILL UNDECIDED. OFFICIALS STATE THAT PRIMARY GOC CONCERN IS ACCEPTANCE LEGAL LIABILITY FOR ALL DEBTS, WITHOUT WHICH NO RESCHEDULING COULD BE CONSIDERED. ONCE QUESTION OF LIABILITY SETTLED, GOC LIKELY TO AGREE TO RESCHEDULING ON GENEROUS TERMS.

2. TOTAL BANGLADESH DEBT TO GOC ESTIMATED AT \$42 MILLION. HALF OF THIS RELATES TO PROJECTS IN BANGLADESH (FOUR EDC AND ONE CIDA) FOR WHICH BANGLADESH HAS ACCEPTED LIABILITY. OTHER HALF CONSIDERED IN DISPUTE.

3. IN RESPONSE TO OUR QUESTION AS TO WHETHER ANY OPTION REJECTED BECAUSE OF LEGAL OR OTHER DIFFICULTIES, OFFICIALS STATED BELIEF THAT ANY OF THE OPTIONS INCLUDING WRITE-OFF TECHNICALLY POSSIBLE.

4. OFFICIALS INDICATED INTEREST IN CONTINUING CONSULTATIONS AS U.S. POSITION DEVELOPS. THEY THOUGHT IT IMPORTANT THAT THE IBRD BE PERMITTED COME UP WITH ITS OWN POSITION BEFORE INDIVIDUAL CREDITOR POSITIONS FIRMED UP.

5. CANADIANS CLEARLY WAITING TO SEE WHICH WAY THE WIND BLOWS ON QUESTION AND DESIRE AVOID TAKING FIRM POSITION AS LONG AS POSSIBLE. ASIDE FROM INSISTENCE ON ACCEPTANCE DEBT LIABILITY, GOC APPEARS VERY FLEXIBLE ON RESCHEDULING MODALITIES.
SCHMIDT

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